

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Breckinridge County Fiscal Court for fiscal year ended June 30, 2009. The financial statements of Breckinridge Health, Inc. a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Breckinridge County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued an unqualified opinion on the governmental activities, business-type activities, and each major fund of Breckinridge County, Kentucky.

In accordance with OMB Circular A-133, we have issued unqualified opinions on the compliance requirements that are applicable to Breckinridge County's major federal program: Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA# 97.036).

Financial Condition:

The fiscal court had net assets of \$9,792,236 as of June 30, 2009. The fiscal court had unrestricted net assets of \$5,107,680 in its governmental activities as of June 30, 2009, with total net assets of \$9,779,709. In its business-type activities, total net cash and cash equivalents were \$5,450 with total net assets of \$12,527. The fiscal court's discretely presented component unit had net assets of \$7,402,605 as of December 31, 2008. The discretely presented component unit had unrestricted net assets of \$6,538,163. The fiscal court had total debt principal as of June 30, 2009 of \$8,104,647 with \$383,647 due within the next year. The discretely presented component unit had total debt principal as of December 31, 2008 of \$1,823,942 with \$835,538 due within the next year.

Report Comments:

- 2009-1 The County Had An Inadequate Segregation Of Duties Over The Payroll Revolving Account
- 2009-2 Payroll Reports To Federal And State Agencies Should Be Filed Timely And Payroll Tax Deposits And Withholding Payments To State Agencies Should Be Made Timely
- 2009-3 The Former County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations
- 2009-4 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function
- 2009-5 Prisoners Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2009-6 Jail Commissary Sales Tax Reports Should Be Filed On A Monthly Basis
- 2009-7 The Jail Commissary Fund Lacks Adequate Segregation Of Duties
- 2009-8 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirements -Activities Allowed Or Unallowed/Allowable Costs And Reporting
- 2009-9 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirement- Program Income And Failed To Report Program Income To FEMA

Deposits:

The fiscal court's deposits as of August 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$413,827

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BRECKINRIDGE COUNTY OFFICIALS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	6
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	9
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	22
STATEMENT OF NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS	26
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUND- MODIFIED CASH BASIS	30
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS	34
STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS	38
NOTES TO FINANCIAL STATEMENTS	27
BUDGETARY COMPARISON SCHEDULES	51
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	55
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	59
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	60
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	63
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Ray Powers, Former Breckinridge County Judge/Executive

Honorable Maurice Lucas, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Breckinridge County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial data of the Breckinridge Health, Inc., a discretely presented component unit. Those financial statements represent 100% of the assets and revenues of the discretely presented component opinion unit. Other auditors, whose report has been furnished to us, audited that entity and our opinion, in so far as it relates to the financial data of that entity is based on the other auditor's report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Breckinridge Health, Inc. were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Breckinridge Health, Inc., a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Ray Powers, Former Breckinridge County Judge/Executive

Honorable Maurice Lucas, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Breckinridge Health, Inc.'s financial statements been prepared using the same basis of accounting as Breckinridge County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Breckinridge County, Kentucky, as of June 30, 2009, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Breckinridge County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Breckinridge County, Kentucky's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2011 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Ray Powere, Former Breckinridge County Judge/Executive
Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2009-1 The County Had An Inadequate Segregation Of Duties Over The Payroll Revolving Account
- 2009-2 Payroll Reports To Federal And State Agencies Should Be Filed Timely And Payroll Tax Deposits And Withholding Payments To State Agencies Should Be Made Timely
- 2009-3 The Former County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations
- 2009-4 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function
- 2009-5 Prisoners Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis
- 2009-6 Jail Commissary Sales Tax Reports Should Be Filed On A Monthly Basis
- 2009-7 The Jail Commissary Fund Lacks Adequate Segregation Of Duties
- 2009-8 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirements -Activities Allowed Or Unallowed/Allowable Costs And Reporting
- 2009-9 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirement- Program Income And Failed To Report Program Income To FEMA

Respectfully Submitted,



Crit Luallen
Auditor of Public Accounts

January 27, 2011

BRECKINRIDGE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2009

Fiscal Court Members:

Ray Powers	County Judge/Executive
James Henning	Magistrate
Danny Gedling	Magistrate
Charlie Hay	Magistrate
Ronnie Robinson	Magistrate
Sam Moore	Magistrate
Joe O'Donoghue	Magistrate

Other Elected Officials:

Bradley Butler	County Attorney
Allen Shrewsberry	County Jailer
Jill Irwin	County Clerk
Connie Brumfield	Circuit Court Clerk
Todd Pate	County Sheriff
Dana Bland	Property Valuation Administrator
Tim Bandy	County Coroner

Appointed Personnel:

Sherrie Ashley	County Treasurer
Odessa Hobbs	Finance Officer
Michelle Valora	Payroll Officer/Finance Officer
Ernie Nix	Road Supervisor
Kay Brown	911 Administrator
Karen Shrewsberry	Jail Administrative Assistant

Other Key Personnel:

Marty Moore	EMA Director
Roger Jolly	Solid Waste Coordinator

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Breckinridge Health, Inc. 12/31/08
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,721,234	\$ 5,450	\$ 4,726,684	\$ 2,425,972
Patient Accounts Receivable (Net)				2,763,353
Inventories				374,760
Prepaid Expenses and Other Current Assets				152,633
Receivables	10,000		10,000	
Assets Held for Resale	206,446		206,446	
Total Current Assets	<u>4,937,680</u>	<u>5,450</u>	<u>4,943,130</u>	<u>5,716,718</u>
Noncurrent Assets:				
Assets Whose Use is Limited				872,060
Investments				731,631
Other Assets				82,196
Receivables	170,000		170,000	
Capital Assets - Net of Accumulated Depreciation				
Property, Plant, and Equipment				3,004,059
Land and Land Improvements	1,244,850		1,244,850	
Construction in Progress	311,393		311,393	
Buildings and Building Improvements	7,252,802		7,252,802	
Machinery and Equipment	1,540,925		1,540,925	
Vehicles	372,463	7,077	379,540	
Infrastructure Assets - Net of Depreciation	2,054,243		2,054,243	
Total Noncurrent Assets	<u>12,946,676</u>	<u>7,077</u>	<u>12,953,753</u>	<u>4,689,946</u>
Total Assets	<u>17,884,356</u>	<u>12,527</u>	<u>17,896,883</u>	<u>10,406,664</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable				545,557
Accrued Liabilities				511,775
Estimated Third-Party Payor Settlements (Net)				913,264
Short-Term Construction Loan				631,811
Current Portion of Long-Term Debt				203,727
Financing Obligations	223,647		223,647	
General Obligation Bond Notes	160,000		160,000	
Total Current Liabilities	<u>383,647</u>	<u></u>	<u>383,647</u>	<u>2,806,134</u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Breckinridge Health, Inc. 12/31/08
Noncurrent Liabilities:				
Long-Term Debt (Net of Current Portion)	\$	\$	\$	\$ 988,404
Deferred Revenue				68,963
Due to Insurance Provider				5,000
Financing Obligations	4,386,000		4,386,000	
Bond Anticipation Notes	3,000,000		3,000,000	
General Obligation Bond Notes	335,000		335,000	
Total Noncurrent Liabilities	7,721,000		7,721,000	1,062,367
Total Liabilities	8,104,647		8,104,647	3,868,501
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	4,672,029	7,077	4,679,106	(864,442)
Unrestricted	5,107,680	5,450	5,113,130	7,402,605
Total Net Assets	\$ 9,779,709	\$ 12,527	\$ 9,792,236	\$ 6,538,163

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,001,753	\$ 17,624	\$ 1,310,289	\$ 323,385
Protection to Persons and Property	1,910,826	1,709,453	246,629	
General Health and Sanitation	86,059	6,883		
Social Services	80,396			
Recreation and Culture	89,489	16,489	95,384	
Roads	2,816,990		1,503,451	574,195
Bus Services	116,671		75,211	
Debt Service	348,632			
Capital Projects	2,717			
Total Governmental Activities	<u>7,453,533</u>	<u>1,750,449</u>	<u>3,230,964</u>	<u>897,580</u>
Business-type Activities:				
Jail Canteen	<u>221,785</u>	<u>222,993</u>		
Total Business-type Activities	<u>221,785</u>	<u>222,993</u>		
Total	<u>\$ 7,675,318</u>	<u>\$ 1,973,442</u>	<u>\$ 3,230,964</u>	<u>\$ 897,580</u>
 Discretely Presented Component Unit:				
Breckinridge Health, Inc.	<u>\$ 16,381,860</u>	<u>\$ 18,265,940</u>	<u>\$ 0</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Property Taxes
Insurance Premium Tax
Telephone 911 Fee Tax
In Lieu Tax Payments
Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Income

Gain (Loss) on Investments

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component
Governmental Activities	Business-Type Activities	Totals	Unit 12/31/08
\$ (350,455)	\$	\$ (350,455)	
45,256		45,256	
(79,176)		(79,176)	
(80,396)		(80,396)	
22,384		22,384	
(739,344)		(739,344)	
(41,460)		(41,460)	
(348,632)		(348,632)	
(2,717)		(2,717)	
(1,574,540)		(1,574,540)	
	1,208	1,208	
	1,208	1,208	
(1,574,540)	1,208	(1,573,332)	
			1,884,080
714,116		714,116	
45,487		45,487	
169,563		169,563	
563,155		563,155	
92,092		92,092	
24,190		24,190	
207,383		207,383	
193,601		193,601	
463,321		463,321	
36,196		36,196	
			(85,094)
2,509,104		2,509,104	(85,094)
934,564	1,208	935,772	1,798,986
8,845,145	11,319	8,856,464	4,739,177
\$ 9,779,709	\$ 12,527	\$ 9,792,236	\$ 6,538,163

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BRECKINRIDGE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Public Properties Corporation Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,055,662	\$ 558,435	\$ 315,038	\$ 142,453	\$ 2,649,646	\$ 4,721,234
Total Assets	<u>\$ 1,055,662</u>	<u>\$ 558,435</u>	<u>\$ 315,038</u>	<u>\$ 142,453</u>	<u>\$ 2,649,646</u>	<u>\$ 4,721,234</u>
FUND BALANCES						
Reserved for:						
Encumbrances	\$ 23,716	\$ 135,194	\$ 51,269	\$ 7,670	\$	\$ 217,849
Unreserved:						
General Fund	1,031,946					1,031,946
Special Revenue Funds		423,241	263,769	134,783		821,793
Capital Projects Fund					2,649,646	2,649,646
Total Fund Balances	<u>\$ 1,055,662</u>	<u>\$ 558,435</u>	<u>\$ 315,038</u>	<u>\$ 142,453</u>	<u>\$ 2,649,646</u>	<u>\$ 4,721,234</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 4,721,234
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Note Receivable Is Not Considered A Current Resource And Therefore, Is Not Reported In The Funds.	180,000
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	16,942,763
Accumulated Depreciation	(4,166,087)
Assets Held For Resale Are Not Current Financial Resources And, Therefore, Are Not Reported In The Funds.	206,446
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bond Anticipation Notes, General Obligation Bond Notes, and Financing Obligation Principal Payments	(383,647)
Due In More Than One Year - Bond Anticipation Notes, General Obligation Bond Notes, and Financing Obligation Principal Payments	<u>(7,721,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,779,709</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 1,791,669	\$	\$	\$
In Lieu Tax Payments	24,190			
Excess Fees	144,224			
Licenses and Permits	14,759			
Intergovernmental	1,901,463	2,077,646	1,732,565	95,384
Charges for Services	23,372		97,128	
Miscellaneous	84,465	89,081	42,971	2,675
Interest	9,689	1,495	1,682	1,401
Total Revenues	<u>3,993,831</u>	<u>2,168,222</u>	<u>1,874,346</u>	<u>99,460</u>
EXPENDITURES				
General Government	594,000			
Protection to Persons and Property	373,132		1,395,247	21,218
General Health and Sanitation	86,059			
Social Services	54,564			22,659
Recreation and Culture	55,013			24,563
Roads		2,807,878		
Bus Services	116,671			
Debt Service	19,263	17,510	436,361	
Capital Projects	1,309,681	68,560		
Administration	1,001,928	156,475	217,519	
Total Expenditures	<u>3,610,311</u>	<u>3,050,423</u>	<u>2,049,127</u>	<u>68,440</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>383,520</u>	<u>(882,201)</u>	<u>(174,781)</u>	<u>31,020</u>
Other Financing Sources (Uses)				
Bond Anticipation Note				
Bond Anticipation Note - Discount				
Transfers Out	(336,274)			
Transfers In		294,132	42,142	
General Obligation Bond Notes		495,000		
Proceeds From Sale of Assets Held For Resale		180,933		
Total Other Financing Sources (Uses)	<u>(336,274)</u>	<u>970,065</u>	<u>42,142</u>	
Net Change in Fund Balances	47,246	87,864	(132,639)	31,020
Fund Balances - Beginning (Restated)	1,008,416	470,571	447,677	111,433
Fund Balances - Ending	<u>\$ 1,055,662</u>	<u>\$ 558,435</u>	<u>\$ 315,038</u>	<u>\$ 142,453</u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Public Properties Corporation Fund	Total Governmental Funds
\$	\$ 1,791,669
	24,190
	144,224
	14,759
	5,807,058
	120,500
	219,192
21,929	36,196
21,929	8,157,788
	594,000
	1,789,597
	86,059
	77,223
	79,576
	2,807,878
	116,671
64,750	537,884
292,533	1,670,774
	1,375,922
357,283	9,135,584
(335,354)	(977,796)
3,000,000	3,000,000
(15,000)	(15,000)
	(336,274)
	336,274
	495,000
	180,933
2,985,000	3,660,933
2,649,646	2,683,137
	2,038,097
\$ 2,649,646	\$ 4,721,234

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**BRECKINRIDGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 2,683,137
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	2,032,178
Depreciation Expense	(497,623)
Assets Held For Resale Disposed	(198,826)
Purchase Of Asset Held For Resale	206,446
The Issuance Of Long-term Debt (e.g. Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.	
Bond Anticipation Note Proceeds	(3,000,000)
General Obligation Bond Notes Proceeds	(495,000)
Financing Obligations Payments	214,252
Payments Received On Notes Receivable Provide A Current Financial Resource To Governmental Funds While Reducing The Receivable At The Government-Wide Level. Therefore, The Activity Has Been Eliminated On The Statement Of Activities.	
	<u>(10,000)</u>
Change In Net Assets of Governmental Activities	<u><u>\$ 934,564</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS

June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 5,450
Total Current Assets	<u>5,450</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	18,485
Less Accumulated Depreciation	<u>(11,408)</u>
Total Noncurrent Assets	<u>7,077</u>
Total Assets	<u><u>12,527</u></u>
Net Assets	
Invested In Capital Asset,	
Net of Related Debt	7,077
Unrestricted	<u>5,450</u>
Total Net Assets	<u><u>\$ 12,527</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND- MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 198,111
Miscellaneous Receipts	10,977
Total Operating Revenues	<u>209,088</u>
Operating Expenses	
Cost of Sales	120,885
Administrative Salaries	74,005
Entertainment	3,797
Depreciation	1,979
Educational and Recreational	6,569
Miscellaneous Expenses	872
Total Operating Expenses	<u>208,107</u>
Operating Income	<u>981</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	13,905
Inmate Refunds	<u>(13,678)</u>
Total Nonoperating Revenues	<u>227</u>
Change in Net Assets	1,208
Total Net Assets - Beginning	<u>11,319</u>
Total Net Assets - Ending	<u><u>\$ 12,527</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 209,088
Cash Payments to Vendors	(206,128)
Net Cash Provided By Operating Activities	<u>2,960</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	13,905
Inmate Refunds on Accounts	(13,678)
Net Cash Provided By Noncapital Financing Activities	<u>227</u>
Net Increase in Cash and Cash Equivalents	3,187
Cash and Cash Equivalents - July 1, 2008	2,263
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 5,450</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 981
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>1,979</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,960</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS

June 30, 2009

BRECKINRIDGE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS – MODIFIED CASH BASIS

June 30, 2009

	Agency Fund	
	Inmate	Inmate
	Account	Escrow
	Account	Account
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 33,801	\$ 2,777
Total Assets	<u>\$ 33,801</u>	<u>\$ 2,777</u>
Liabilities		
Amounts Held In Custody For Others	\$ 33,801	\$ 2,777
Total Liabilities	<u>\$ 33,801</u>	<u>\$ 2,777</u>

The accompanying notes are an integral part of the financial statements.

INDEX FOR NOTES TO THE FINANCIAL STATEMENTS

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	27
NOTE 2.	DEPOSITS	33
NOTE 3.	EMPLOYEE RETIREMENT SYSTEM	34
NOTE 4.	DEFERRED COMPENSATION	34
NOTE 5.	ASSETS HELD FOR RESALE.....	35
NOTE 6.	RECEIVABLE	35
NOTE 7.	CAPITAL ASSETS.....	36
NOTE 8.	SHORT-TERM DEBT	39
NOTE 9.	LONG-TERM DEBT	39
NOTE 10.	LEASED PROPERTY AND EQUIPMENT	44
NOTE 11.	COMMITMENTS UNDER NONCAPITALIZED LEASES	44
NOTE 12.	INTEREST ON FINANCING OBLIGATIONS AND FIRST MORTGAGE REVENUE BOND ANTICIPATION NOTES	45
NOTE 13.	ALLOWANCE FOR DOUBTFUL ACCOUNTS	45
NOTE 14.	CHARITY CARE.....	45
NOTE 15.	INSURANCE.....	46
NOTE 16.	PRIOR PERIOD ADJUSTMENTS	46
NOTE 17.	SUBSEQUENT EVENTS	47
NOTE 18.	DIFFERENCE IN FISCAL YEAR END OF DISCRETELY PRESENTED COMPONENT UNIT	47

**BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county prepares its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivables are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. However, financial statements of the Breckinridge Health, Inc., a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organizations' exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantially the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method

Breckinridge County Public Properties Corporation

The Breckinridge County Fiscal Court appoints the Breckinridge County Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Breckinridge County Public Properties Corporation.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Breckinridge County Building Commission

The Breckinridge County Fiscal Court appoints the Breckinridge County Building Commission's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Breckinridge County Building Commission. There was no financial activity for the Building Commission in the fiscal year ended June 30, 2009.

Discretely Presented Component Unit

The component unit column in the financial statements includes the data of the Breckinridge Health, Inc. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column to emphasize its separateness from the fiscal court's primary government.

Breckinridge Health, Inc.

The Breckinridge Memorial Hospital, which is owned by the Breckinridge County Building Commission and leased to the County, the Series 1983 Bonds were used to finance the acquisition, construction, and equipping of the Breckinridge Memorial Hospital. The 1983 Bonds were refinanced with the Series 1994 Bonds. The title to the hospital will vest in the County upon all interest and principal of the 1994 Bonds being paid. Exclusion of this entity as a component unit of Breckinridge County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Breckinridge County's financial statements.

Breckinridge Health, Inc. subleases the mortgaged property from the County at an agreed and stipulated rental equal to (i) the aggregate of the interest and principal of the Bond due during any lease period, (ii) the Reserve Fund requirement, (iii) the cost of operation and maintenance of the mortgaged property, (iv) the cost of insuring the mortgaged property, and (v) the annual trustee fee. The county has an option to renew the lease from year to year until sufficient rentals have been paid to retire all Bonds.

Audited financial statements for the Breckinridge Health, Inc., a discretely presented component unit, may be requested by contacting the Breckinridge County Hospital, Hardinsburg, Kentucky 40143.

C. Breckinridge County Elected Officials

Kentucky law provides for election of officials below from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Breckinridge County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services and general health and sanitation expenditures. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Breckinridge County Public Properties Corporation Fund – The primary purpose of this fund is the construction of the Judicial Center. The primary source of revenue for this fund is interest earned on investments.

Special Revenue Funds:

The Road Fund, Jail Fund and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Breckinridge County Public Properties Corporation Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund:

The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds are used to account for monies held by the County in the Inmate Account Fund and Inmate Escrow Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Inmate Account Fund - This fund accounts for funds received from the inmates.

Inmate Escrow Account Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land and land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-15
Infrastructure	\$ 20,000	2-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Breckinridge Health, Inc. (discretely presented component unit), Breckinridge County Public Properties Corporation (blended component unit), and the Breckinridge County Jail Commissary (blended component unit) Funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organization

A related organization is an entity for which the primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Breckinridge County Industrial Authority is considered a related organization of the Breckinridge County Fiscal Court.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial Credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement. The County's bank balances of \$413,827 were exposed to custodial credit risk as follows:

- \$413,827 unsecured and uncollateralized as of August 31, 2008

Note 3. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

The county's contribution for FY 2007 was \$418,989, FY 2008 was \$383,045, and FY 2009 was \$337,259.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 4. Deferred Compensation

In May 2002, the Breckinridge County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Deferred Compensation (Continued)

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 5. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ 198,826	\$ 206,446	\$ 198,826	\$ 206,446
Total Assets Held For Resale	\$ 198,826	\$ 206,446	\$ 198,826	\$ 206,446

Note 6. Receivable

The Breckinridge County Fiscal Court has entered into a financing obligation on the behalf of the Breckinridge County Central EMS, Inc (Central EMS) for the purpose of providing funds for the financing of the construction of the EMS building. The Breckinridge County Fiscal Court has an agreement with Central EMS that states the Central EMS will make payments for this financing obligation. Future amounts due to Breckinridge County Fiscal Court are:

Fiscal Year Ended June 30	Principal Amount
2010	\$ 10,000
2011	10,000
2012	10,000
2013	10,000
2014	15,000
2015-2019	75,000
Thereafter	<u>50,000</u>
Totals	<u>\$ 180,000</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 220,000	\$ 1,024,850	\$
Construction in Progress	19,968	311,393	19,968
Total Capital Assets Not Being Depreciated	239,968	1,336,243	19,968
Capital Assets, Being Depreciated:			
Buildings and Building Improvements	9,607,950	159,322	
Machinery and Equipment	1,806,305	255,378	
Vehicles	683,722	82,277	
Infrastructure	2,572,640	218,926	
Total Capital Assets Being Depreciated	14,670,617	715,903	
Less Accumulated Depreciation For:			
Buildings and Building Improvements	(2,405,234)	(109,236)	
Machinery and Equipment	(431,722)	(89,036)	
Vehicles	(320,077)	(73,459)	
Infrastructure	(511,431)	(225,892)	
Total Accumulated Depreciation	(3,668,464)	(497,623)	
Total Capital Assets, Being Depreciated, Net	11,002,153	218,280	
Governmental Activities Capital Assets, Net	<u>\$11,242,121</u>	<u>\$ 1,554,523</u>	<u>\$ 19,968</u>
			<u>\$ 12,776,676</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 18,485		\$	\$ 18,485
Total Capital Assets Being Depreciated	18,485			18,485
Less Accumulated Depreciation For:				
Vehicles	(9,429)	(1,979)		(11,408)
Total Accumulated Depreciation	(9,429)	(1,979)		(11,408)
Business-Type Activities Capital Assets, Net	\$ 9,056	\$ (1,979)	\$ 0	\$ 7,077

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 57,346
Protection to Persons and Property	140,015
Social Services	3,173
Recreation and Culture	9,913
Roads	<u>287,176</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 497,623</u>
<u>Business-Type Activities</u>	
Jail Canteen Fund	<u>\$ 1,979</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,979</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Discretely Presented Component Unit			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 66,000	\$	\$	\$ 66,000
Land Improvements	250,252			250,252
Construction in Progress	105,516	1,354,341		1,459,857
Total Capital Assets Not Being Depreciated	421,768	1,354,341		1,776,109
Capital Assets, Being Depreciated:				
Buildings	2,247,884	10,228		2,258,112
Fixed Equipment	2,649,291			2,649,291
Major Moveable Equipment	6,336,130	187,245		6,523,375
Total Capital Assets Being Depreciated	11,233,305	197,473		11,430,778
Less Accumulated Depreciation For:				
Land Improvements	(211,809)	(6,786)		(218,595)
Buildings	(1,701,015)	(59,236)		(1,760,251)
Fixed Equipment	(2,311,192)	(73,337)		(2,384,529)
Major Moveable Equipment	(5,483,389)	(356,064)		(5,839,453)
Total Accumulated Depreciation	(9,707,405)	(495,423)		(10,202,828)
Total Capital Assets, Being Depreciated, Net	1,525,900	(297,950)		1,227,950
Component Unit Capital Assets, Net	<u>\$ 1,947,668</u>	<u>\$ 1,056,391</u>	<u>\$ 0</u>	<u>\$ 3,004,059</u>

Depreciation expense was charged to functions of the discretely component unit as follows:

Breckinridge Health, Inc.	<u>\$ 495,423</u>
Total Depreciation Expense - Component Unit	<u>\$ 495,423</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. Short-term Debt

In November 2008, Breckinridge Health, Inc. signed an agreement with Kentucky Rural Water Finance Corporation (KRWFC) through the Breckinridge County Buildings Commission for up to \$6.1 million interim financing at a rate of 4.95%. The proceeds were used to finance construction costs on the expansion project until the Rural Development (RD) loan was finalized. \$631,811 was drawn in 2008.

	Beginning Balance	Additions	Reductions	Ending Balance
KRWFC	\$	\$ 631,811	\$	\$ 631,811
	\$	\$ 631,811	\$	\$ 631,811

Note 9. Long-term Debt

A. Courthouse Renovation

On January 6, 1994, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.621% interest rate. The financing obligation was used for the courthouse renovation. The maturity date of the obligation is February 1, 2014. The balance of the obligation at June 30, 2009, was \$71,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 17,000	\$ 2,597
2011	17,000	1,906
2012	18,000	1,200
2013	19,000	453
Totals	\$ 71,000	\$ 6,156

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

B. Detention Facility

On February 26, 1998, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$5,300,000 at a 5.64% interest rate. The financing obligation was for construction of the Detention Facility. On January 31, 2000, the Fiscal Court refinanced in the amount of \$5,500,000 at a 5.30% effective interest rate. The maturity date of the obligation is January 20, 2025. The balance of the obligation at June 30, 2009, was \$4,343,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 181,000	253,425
2011	190,000	241,943
2012	200,000	229,859
2013	210,000	217,169
2014	221,000	203,817
2015-2019	1,292,000	792,758
2020-2024	1,663,000	337,484
Thereafter	386,000	1,952
Totals	<u>\$ 4,343,000</u>	<u>\$ 2,278,407</u>

C. EMS Building

On June 18, 2002, the Breckinridge County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) in the sum of \$250,000 at a 4.38% effective interest rate. The financing obligation was used for the construction of the EMS building. The maturity date of the obligation is July 20, 2022. On August 12, 2002, the Breckinridge County Fiscal Court entered into an agreement with Breckinridge County Central EMS, Inc. The Agreement states that Breckinridge County Central EMS, Inc. will make the payments for this lease. The balance of the obligation at June 30, 2009, was \$180,000. Annual debt service payments to maturity are as follows:

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

C. EMS Building (Continued)

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 10,000	\$ 9,076
2011	10,000	8,560
2012	10,000	8,043
2013	10,000	7,527
2014	15,000	6,904
2015-2019	75,000	22,904
Thereafter	50,000	4,344
Totals	<u>\$ 180,000</u>	<u>\$ 67,358</u>

D. Double Drum Asphalt Compactor

On May 9, 2006, the Breckinridge County Fiscal Court entered into an agreement with Citigroup Vendor Finance, Inc. in the sum of \$63,200 at a 5.130% interest rate. The financing obligation was used for Double Drum Asphalt Compactor. The maturity date of the obligation is June 1, 2010. The balance of the obligation at June 30, 2009 was \$15,647. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	<u>\$ 15,647</u>	<u>\$ 404</u>
Totals	<u>\$ 15,647</u>	<u>\$ 404</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

E. General Obligation Bond Notes, Series 2009 (Ice Storm Emergency Recovery Project)

On June 30, 2009 the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$495,000 at various interest rates. The proceeds of the Notes were used to pay for the costs of storm damage repairs, resulting from the ice storm which constitute a public service resulting from an emergency and which repairs were required for safety of the general public. The maturity date of the obligation is June 20, 2012. The balance of the Notes at June 30, 2009 was \$495,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 160,000	\$ 21,283
2011	165,000	14,283
2012	<u>170,000</u>	<u>7,438</u>
Totals	<u>\$ 495,000</u>	<u>\$ 43,004</u>

F. First Mortgage Revenue Bond Anticipation Notes, Series 2008

On July 22, 2008, the Breckinridge County Public Properties Corporation issued \$3,000,000 of First Mortgage Revenue Bond Anticipation Notes, Series 2008. Proceeds of the Notes will be used to pay land acquisition costs, professional design fees, capitalized interest on the Notes to their due date, cost of issuance and other expenses associated with the new Breckinridge County, Kentucky Justice Center. The interest rate is 3.00%. The final maturity date of the Notes is July 1, 2010. The balance of the Notes at June 30, 2009 was \$3,000,000.

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$	\$ 90,000
2011	<u>3,000,000</u>	<u>45,000</u>
Totals	<u>\$ 3,000,000</u>	<u>\$ 135,000</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 4,823,899	\$	\$ 214,252	\$ 4,609,647	\$ 223,647
Bond Anticipation Notes		3,000,000		3,000,000	
General Obligation Bond Notes		495,000		495,000	160,000
	<u>\$ 4,823,899</u>	<u>\$ 3,495,000</u>	<u>\$ 214,252</u>	<u>\$ 8,104,647</u>	<u>\$ 383,647</u>

H. Refinancing Series 1983 Bonds

On March 22, 1994, Breckinridge Health, Inc. borrowed \$2,650,000 from The Bank of New York (Bank), formerly Fifth Third Bank of Cincinnati, Ohio. The proceeds were used to refinance the 10.5% Series 1983 Bonds. Principal payments are due annually through January 1, 2013 with interest at rates varying from 4% to 6.4%, with a weighted average of 5.08%. The debt is secured by a mortgage lien against, and a pledge of the revenue of the Hospital, including all land, buildings, improvements, equipment, and appurtenance thereon, pursuant to the provisions of the bond instrument.

Under the terms of the refinancing agreement, Breckinridge Health, Inc. established Sinking and Reserve Fund Accounts with the Bank. The Sinking Fund is a clearing account with monthly transfers adequate for the annual principal and semi-annual interest payments. The Reserve Fund requires payments to be made until a balance accumulates equal to the highest principal and interest payments due on the outstanding bonds. An initial deposit of \$239,070 was made from the bond proceeds and the transfer from the restricted accounts of the original Bond. Interest income and transfers had changed this balance to \$234,692 at December 31, 2008. Such accounts are restricted to the replacement of property and equipment and repayment of the mortgage note.

I. Lab, Surgical, and Data Processing Equipment

In March 2003, Breckinridge Health, Inc. signed a note in the amount of \$348,462 with First State Bank for the purchase of lab, surgical, and data processing equipment. The note, which was secured by the equipment, was due in sixty monthly installments of \$6,536, with interest at 4.75%. The balance of the note was paid out in 2008.

J. Self-Insured Worker's Compensation Fund

On November 11, 2004, Breckinridge Health, Inc. entered into an agreement with AIK, a group self-insured worker's compensation fund, to reimburse the fund \$20,301 for additional premiums due for prior years. The original note called for four annual installments of \$4,527, with interest at 4.5%. In December 2005, a new agreement superseded the 2004 contract. The 2004 note was canceled, and the new balance is due upon call. The balance at December 2008 was \$4,021.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

K. Local Medical Practice

On January 17, 2005, Breckinridge Health, Inc. entered into a loan agreement with The Farmers Bank through the Breckinridge County Building Commission to purchase a local medical practice. A promissory note was issued for \$266,810 to be repaid over a fifteen-year period. The note calls for sixty monthly payments of \$2,399 at an interest rate of 4.8%, and 120 monthly payments of \$1,896 at an interest rate based on the prime rate, resulting in a current interest rate of 3.25%. The lender has been granted a security interest in all equipment and inventory of the practice and a mortgage on the real estate. The balance of the note at December 31, 2008 was \$198,110.

L. Changes in Long-term Debt – Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
The Bank of New York	\$ 1,160,000	\$	\$ 170,000	\$ 990,000	\$ 180,000
AIK	4,021			4,021	4,021
First State Bank	25,875		25,875	-	
The Farmers Bank	216,866		18,756	198,110	19,706
	<u>\$ 1,406,762</u>	<u>\$ -</u>	<u>\$ 214,631</u>	<u>\$1,192,131</u>	<u>\$ 203,727</u>

Note 10. Leased Property and Equipment

The original cost of assets purchased under capital leases and the accumulated amortization for each class are as follows:

	Original Cost	Accumulated Amortization
Fixed Equipment	\$ 370,696	\$ 236,591
Major Moveable Equipment	\$ 92,349	\$ 84,398

Equipment purchased by capital leases is included in the statements of financial position under property, plant, and equipment (net) at cost less accumulated amortization. Amortization expense for such equipment was included in depreciation expense in the amount of \$32,754 for 2008.

Note 11. Commitments Under Noncapitalized Leases

Breckinridge Health, Inc. leases various equipment under operating leases expiring at various dates through 2013. Total rental expense in 2008 for all operating leases was approximately \$178,796.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 11. Commitments Under Noncapitalized Leases (Continued)

Commitments under operating lease agreements that have remaining lease terms in excess of one year provide the minimum future rental payments as of December 31, 2008 as follows:

Year Ending December 31,	
2009	\$ 269,556
2010	205,248
2011	180,567
2012	113,254
2013	17,164
	<u>\$ 785,789</u>

Note 12. Interest on Financing Obligations and First Mortgage Revenue Bond Anticipation Notes

Debt Service on the Statement of Activities includes \$277,656 in interest on Financing Obligations and \$39,750 on First Mortgage Revenue Bond Anticipation Notes.

Note 13. Allowance For Doubtful Accounts

Patient accounts receivable and amounts due from employees are shown net of allowance for doubtful accounts. A summary as of December 31, 2008 follows:

Patient Accounts Receivable	\$5,500,653
Allowance for Doubtful Accounts	<u>(2,737,300)</u>
Patient Accounts Receivable (Net)	<u>\$2,763,353</u>
Amounts Due From Employees	\$ 52,612
Allowance for Doubtful Accounts	<u>(9,410)</u>
Amount Due From Employees (Net)	<u>\$ 43,202</u>

Note 14. Charity Care

Breckinridge Health, Inc. maintains its records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone under its charity care policy. Due to the availability of the KHCP and Disproportionate Share Rebate programs, Breckinridge Health, Inc. incurred cost of \$409,513 for the year ended December 31, 2008. The total reimbursement under the Disproportionate Share Rebate program was \$97,679 for 2008 and is included in the financial statements as revenues.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 15. Insurance

For the fiscal year ended June 30, 2009, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 16. Prior Period Adjustments

The prior year net asset ending balances have been restated for the following:

	Governmental Activities
Net Assets Ending Balance Prior Year	\$ 8,644,771
Cash	
Plus:	
Jail Fund - Departmental Account	160
Capital Asset	
Plus:	
Capital Assets Not Included In Prior Year	244,292
Accumulated Depreciation Of Capital Assets Not Included In Prior Year	(43,078)
Less:	
Capital Assets Erroneously Included In Prior Year	(25,000)
Accumulated Depreciation Of Capital Assets Erroneously Included In Prior Year	24,000
Subtotal To Capital Asset Adjustment	200,214
Net Assets Beginning Balance - Restated	\$ 8,845,145
	Jail Fund
Fund Balance Prior Year	\$ 447,517
Departmental Account	160
Fund Balance - Restated	\$ 447,677

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 17. Subsequent Events

A. First Mortgage Revenue Bonds, Series 2010 (Justice Center Project)

On February 1, 2010, the Breckinridge County Public Properties Corporation issued \$13,155,000 of First Mortgage Revenue Bonds, Series 2010. Proceeds of the Bonds will be used to pay off First Mortgage Revenue Bond Anticipation Notes, Series 2008, professional design fees, capitalized interest on the Bonds to their due date, cost of issuance and other expenses associated with the new Breckinridge County, Kentucky Justice Center. The interest rate varies from 1.00% to 4.25%. The final maturity date of the Bonds is February 1, 2031.

B. Breckinridge Health, Inc. – 2008 Bonds

In October 2009, Breckinridge Health, Inc. issued a bond ordinance through the Breckinridge County Buildings Commission authorizing and providing for the issuance and sale of \$8,000,000 of revenue bonds, for the purpose of financing the cost of the hospital expansion. The Series 2008 bonds consist of \$6,100,000 Series A Bonds and \$1,900,000 Series B Bonds. The thirty-eight year Series A and Series B Bonds have interest rates of 4.125% and 4.25%, respectively. The bonds are secured by a mortgage lien against and a pledge of the revenues of the Hospital.

Note 18. Difference in Fiscal Year End of Discretely Presented Component Unit

The Breckinridge Health, Inc. a discretely presented component unit of the Breckinridge County Fiscal Court, has a fiscal year end of December 31, 2008. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2009. All amounts reported for the Breckinridge Health, Inc. represent account balances, receipts, and disbursements as of December 31, 2008.

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,573,500	\$ 1,573,500	\$ 1,791,669	\$ 218,169
In Lieu Tax Payments	11,000	11,000	24,190	13,190
Excess Fees			144,224	144,224
Licenses and Permits	13,000	13,000	14,759	1,759
Intergovernmental Revenue	1,461,794	2,644,644	1,901,463	(743,181)
Charges for Services	5,000	5,000	23,372	18,372
Miscellaneous	32,000	32,000	84,465	52,465
Interest	5,000	5,000	9,689	4,689
Total Revenues	3,101,294	4,284,144	3,993,831	(290,313)
EXPENDITURES				
General Government	697,310	635,120	594,000	41,120
Protection to Persons and Property	390,678	403,957	373,132	30,825
General Health and Sanitation	107,068	99,500	86,059	13,441
Social Services	418,294	408,237	54,564	353,673
Recreation and Culture	70,500	71,506	55,013	16,493
Bus Services	110,000	116,671	116,671	
Debt Service	22,000	22,000	19,263	2,737
Capital Projects	825,500	1,884,880	1,309,681	575,199
Administration	982,000	1,030,329	1,001,928	28,401
Total Expenditures	3,623,350	4,672,200	3,610,311	1,061,889
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(522,056)	(388,056)	383,520	771,576
OTHER FINANCING SOURCES (USES)				
Transfers Out	(180,132)	(180,132)	(336,274)	(156,142)
Total Other Financing Sources (Uses)	(180,132)	(180,132)	(336,274)	(156,142)
Net Changes in Fund Balance	(702,188)	(568,188)	47,246	615,434
Fund Balance - Beginning	702,188	702,188	1,008,416	306,228
Fund Balance - Ending	\$ 0	\$ 134,000	\$ 1,055,662	\$ 921,662

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 1,947,200	\$ 2,041,884	\$ 2,077,646	\$ 35,762
Miscellaneous	206,000	249,542	270,013	20,471
Interest	5,000	5,000	1,495	(3,505)
Total Revenues	<u>2,158,200</u>	<u>2,296,426</u>	<u>2,349,154</u>	<u>52,728</u>
EXPENDITURES				
Roads	2,286,832	2,808,859	2,807,878	981
Debt Service	20,000	17,713	17,510	203
Capital Projects	190,000	68,560	68,560	
Administration	221,500	165,998	156,475	9,523
Total Expenditures	<u>2,718,332</u>	<u>3,061,130</u>	<u>3,050,423</u>	<u>10,707</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(560,132)</u>	<u>(764,704)</u>	<u>(701,269)</u>	<u>63,435</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	160,132	160,132	294,132	134,000
Borrowed Money			<u>495,000</u>	<u>495,000</u>
Total Other Financing Sources (Uses)	<u>160,132</u>	<u>160,132</u>	<u>789,132</u>	<u>629,000</u>
Net Changes in Fund Balance	(400,000)	(604,572)	87,863	692,435
Fund Balance - Beginning	<u>400,000</u>	<u>470,572</u>	<u>470,572</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (134,000)</u>	<u>\$ 558,435</u>	<u>\$ 692,435</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 1,753,480	\$ 1,753,480	\$ 1,732,565	\$ (20,915)
Charges for Services	119,500	119,500	97,128	(22,372)
Miscellaneous	5,000	5,000	42,971	37,971
Interest	2,300	2,300	1,682	(618)
Total Revenues	<u>1,880,280</u>	<u>1,880,280</u>	<u>1,874,346</u>	<u>(5,934)</u>
EXPENDITURES				
Protection to Persons and Property	1,327,396	1,431,137	1,395,247	35,890
Debt Service	438,000	438,000	436,361	1,639
Administration	269,883	226,142	217,519	8,623
Total Expenditures	<u>2,035,279</u>	<u>2,095,279</u>	<u>2,049,127</u>	<u>46,152</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(154,999)</u>	<u>(214,999)</u>	<u>(174,781)</u>	<u>40,218</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>42,142</u>	<u>22,142</u>
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>42,142</u>	<u>22,142</u>
Net Changes in Fund Balance	(134,999)	(194,999)	(132,639)	62,360
Fund Balance - Beginning (Restated)	<u>134,999</u>	<u>194,999</u>	<u>447,677</u>	<u>252,678</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315,038</u>	<u>\$ 315,038</u>

BRECKINRIDGE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 60,000	\$ 60,000	\$ 95,384	\$ 35,384
Miscellaneous			2,675	2,675
Interest			1,401	1,401
Total Revenues	60,000	60,000	99,460	39,460
EXPENDITURES				
Protection to Persons and Property	17,500	21,218	21,218	
Social Services	29,500	27,221	22,659	4,562
Recreation and Culture	27,000	27,000	24,563	2,437
Administration	10,000	8,561		8,561
Total Expenditures	84,000	84,000	68,440	15,560
Net Changes in Fund Balance	(24,000)	(24,000)	31,020	55,020
Fund Balance - Beginning	24,000	24,000	111,433	87,433
Fund Balance - Ending	\$ 0	\$ 0	\$ 142,453	\$ 142,453

BRECKINRIDGE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Road Fund Reconciliation

	<u>Road Fund</u>
Total Revenues - Budgetary Basis	\$ 2,349,154
Less: Proceeds from Sale of Assets Held For Resale	<u>(180,932)</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 2,168,222</u></u>
Total Other Financing Sources (Uses)	
- Budgetary Basis	\$ 789,132
Plus: Proceeds from Sale of Assets Held For Resale	<u>180,933</u>
Total Other Financing Sources (Uses)	
- Modified Cash Basis	<u><u>\$ 970,065</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

BRECKINRIDGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

BRECKINRIDGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2009

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Defense</u>		
Passed-Through Department For Local Government:		
Flood Control Projects (CFDA #12.106)		\$ 7,208
<u>U.S. Election Commission</u>		
Passed-Through State Board of Elections:		
Help America Vote Act (CFDA #90.401)	N/A	67,500
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Disaster Grants-Public Assistance - (Presidentially Declared Disasters) (CFDA #97.036) ***	FEMA-1802 DR KY FEMA-1818 DR KY	693,997
Emergency Management Performace Grants (CFDA #97.042)		<u>8,962</u>
Total U.S. Department Of Homeland Security		<u>702,959</u>
Total Expenditures of Federal Awards		<u>\$ 777,667</u>

*** Tested as Major Program

BRECKINRIDGE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2009

- Note 1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Breckinridge County Fiscal Court and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Breckinridge County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 27, 2011, wherein, we issued a qualified opinion on the discretely presented component unit. Our report was also modified to include a reference to other auditors. Breckinridge County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Breckinridge Health, Inc., as described in our report on Breckinridge County, Kentucky's financial statements. The financial statements of the Breckinridge Health, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Breckinridge County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Breckinridge County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting: 2009-1, 2009-2, 2009-3, 2009-4, 2009-5, 2009-6, and 2009-7.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Breckinridge County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Breckinridge County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

January 27, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Maurice Lucas, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Breckinridge County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Breckinridge County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Breckinridge County's management. Our responsibility is to express an opinion on Breckinridge County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Breckinridge County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Breckinridge County's compliance with those requirements.

In our opinion, Breckinridge County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Breckinridge County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Breckinridge County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Breckinridge County's internal control over compliance.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-8 and 2009-9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-8 and 2009-9 to be material weaknesses.

The Breckinridge County Judge/Executive's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Critt Luallen
Auditor of Public Accounts

January 27, 2011

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2009

**BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining information of Breckinridge County, Kentucky. A qualified opinion is expressed on the aggregate discretely presented component unit.
2. Seven significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. These deficiencies are all considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Breckinridge County were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report. These deficiencies are considered to be material weaknesses.
5. The auditor's report on compliance for the audit of the major federal awards programs for Breckinridge County expresses an unqualified opinion.
6. There are two audit findings relative to the major federal awards programs for Breckinridge County reported in Part D of this schedule.
7. The program tested as a major program was: Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA# 97.036)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Breckinridge County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

2009-1 The County Had An Inadequate Segregation Of Duties Over The Payroll Revolving Account

The Former County Treasurer performed all accounting functions related to the payroll revolving account including but not limited to: receiving and depositing receipts, signing all payroll checks with the authority to sign the County Judge/Executive's signature on his behalf, preparing and signing all checks to withholding agencies such as Kentucky Department of Revenue (Revenue) and Kentucky Retirement Systems, calling in all electronic funds transfers to the Internal Revenue Service (IRS), transferring funds from other County bank accounts into the payroll revolving account, and reconciling the payroll revolving account monthly. In addition, all information related to this account came directly to the Former County Treasurer either by hand delivery or by mail to her post office box including the bank statements, all payroll returns, correspondence from withholding agencies such as the IRS and Revenue related to late payments.

Lack of segregation of duties could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur but go undetected. In addition, too much control by one individual without oversight can lead to irregularities that go undetected for months or even years.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES
(CONTINUED)

2009-1 The County Had An Inadequate Segregation Of Duties Over The Payroll Revolving Account
(Continued)

This is a repeat comment from the prior year audit, and as in that audit we recommend that the County divide the responsibilities for the payroll revolving account among the Treasurer, the payroll officer, and other employees of the County in order to achieve an appropriate level of segregation of duties. Additionally, we recommend that all mail be addressed to the County's post office box only and that the Former County Treasurer's post office box be closed.

County Judge/ Executive Maurice Lucas' Response: The accounting functions related to the payroll revolving account have been divided among the County Treasurer and Finance Officers to achieve the appropriate level of segregation of duties. All of the County's Bank accounts including the payroll revolving account has always required two signatures on the checks: The County Judge/Executive or his designee and the County Treasurer. The Former County Treasurer never signed the County Judge/Executive's signature on his behalf on the payroll revolving fund checks, nor was she aware that she had the authority to do so. The County Judge/Executive and County Treasurer's mail had always been picked-up and sorted by a Finance Officer. The County Treasurer's mail has always been picked-up and sorted by a Finance Officer. The County Judge Executive's Assistant or Finance Officers will continue to pick-up and sort the mail. The County Judge/Executive will monitor the County's mail.

Auditor's Reply: Mail should be sorted and opened by one individual, and that individual should prepare a log of all mail once opened. If this is done, the problem with the Treasurer's P.O. Box would be alleviated.

2009-2 Payroll Reports To Federal And State Agencies Should Be Filed Timely And Payroll Tax Deposits And Withholding Payments To State Agencies Should Be Made Timely

The Former County Treasurer filed form 941 "Employers Quarterly Federal Tax Return" as much as five months past the due date and form K-1 "The Kentucky Employer's Return of Income Tax Withheld" as much as five months past the due date as well. Attendant with the late filings of the K-1s were late payments that were sent along with the late forms. Payment of federal withholdings is made separately from the filing of the 941 forms by making electronic funds transfers (EFT). The Former County Treasurer made these EFT payments by telephone, and these payments were due within three (3) days of the end of the pay period for which they were withheld. These EFT payments were not made timely, but the payments were so erratic and were made for amounts not matching the actual withheld amount due so it is not possible to determine the exact number of days, weeks, or months that the payments were past due.

Failure to make filings and payments in a timely manner can subject the County to late filing and late payment penalties and interest.

This is a repeat comment from the prior year audit, and as in that audit we recommend that payroll tax returns be filed timely and that all payroll tax payments be made timely in order to avoid costly penalty and interest assessments upon County funds. The individual responsible for these filings resigned the position of Breckinridge County Treasurer on May 11, 2009.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES
(CONTINUED)

2009-2 Payroll Reports To Federal And State Agencies Should Be Filed Timely And Payroll Tax Deposits And Withholding Payments To State Agencies Should Be Made Timely
 (Continued)

County Judge/ Executive Maurice Lucas' Response: The payroll reports to federal and state agencies are filed timely and payroll tax payments are made timely by the Finance Officer. The payroll reports to federal and state agencies and payroll tax payments are reviewed by the County Treasurer when completed by the County's Finance Officer.

2009-3 The Former County Treasurer's Office Lacks Adequate Segregation Of Duties Over Receipts And Bank Reconciliations

The Former County Treasurer prepared and deposited the receipts, posts transactions into the accounting system, prepared reports for submission to the Department for Local Government, and performed the bank reconciliations for all bank accounts.

Lack of segregation of duties could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur but go undetected. In addition, too much control by one individual without oversight can lead to irregularities that go undetected.

We recommend that the County divide the responsibilities for receipts and bank reconciliations among the Treasurer, the Finance Officer, and other employees of the County in order to achieve an appropriate level of segregation of duties.

County Judge/ Executive Maurice Lucas' Response: The responsibilities for receipts and bank reconciliations will be divided among the County Treasurer, Finance Officers and other employees of the County. Also, the County's bank reconciliations and reports submitted to external agencies such as the Department for Local Government will be reviewed and initialed with date by the County Judge/Executive or his designee when completed by the County Treasurer in order to achieve an appropriate level of segregation of duties.

2009-4 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function

The Payroll Clerk performs all payroll functions (e.g. timekeeping, data entry, and distribution of checks) and payroll is not subject to final approval prior to payment by someone other than the Payroll Clerk. Also, timesheets are not approved by department heads/supervisors. To adequately protect employees in the normal course of performing their assigned functions and to protect the Fiscal Court against inaccurate financial reporting, we recommend the Fiscal Court separate these duties. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the Treasurer. The employee providing the oversight should document this.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES
(CONTINUED)

2009-4 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function
(Continued)

County Judge/ Executive Maurice Lucas' Response: The Finance Officer will present Payroll Reports to the County Treasurer who will perform random checks against timecards and approve payment. All supervisors will have to approve timecards with signatures and all employees will be required to sign timecards. All oversight will be documented by the Finance Officer.

2009-5 Prisoners Reimbursements (Jail Fees) Should Be Submitted To Treasurer On A Monthly Basis

During the performance of the audit, auditor documented that prisoner reimbursements (Jail Fees) were not being turned over to the County Treasurer on a regular basis. During fiscal year ended June 30, 2009, the Jail only made 2 payments for prisoner reimbursements with the last payment being made on April 8, 2009. These payments should be submitted on at least a monthly basis and should include documentation (sequential receipts) to support the amount being remitted. We recommend that the Treasurer require the Jailer to submit prisoner reimbursements (Jail Fees) on a monthly basis.

County Judge/ Executive Maurice Lucas' Response: The County Treasurer has requested that the County Jailer submit prisoner reimbursements (Jail Fees) on a monthly basis. The County Jailer is currently submitting the prisoner reimbursements accordingly.

2009-6 Jail Commissary Sales Tax Reports Should Be Filed On A Monthly Basis

During the performance of our audit, we discovered that the monthly sales tax reports for the Jail Commissary were not being made on a timely basis. The sales tax reports for October 2008 through March 2009 were not filed until April 13, 2009. Sales tax reports for August and September 2008 and April and May 2009 were not filed until July 1, 2009. We recommend in the future that Jail Commissary sales tax reports be filed on a monthly basis.

County Jailer Allen Shrewsberry's Response: Is taken care of.

2009-7 The Jail Commissary Fund Lacks Adequate Segregation Of Duties

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: receipts and processing, record-keeping, report preparation, and reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The Jailer's bookkeeper prepares and deposits the receipts, prepares and signs checks, posts to the ledger, prepares reports, and performs the bank reconciliations.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES
(CONTINUED)

2009-7 The Jail Commissary Fund Lacks Adequate Segregation Of Duties

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the Jailer separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

County Jailer Allen Shrewsberry's Response: Segregation of this account will become possible as our Tracking Software is upgraded.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2009-8 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirements - Activities Allowed Or Unallowed/Allowable Costs And Reporting

Federal Program: CFDA 97.036
 Federal Agency: U.S. Department of Homeland Security
 Pass-through Agency: Department of Military Affairs
 Compliance Area: Activities Allowed/Allowable Costs

During testing of internal controls we noted no documentation of monitoring of Activities Allowed/Allowable Costs and Reporting which was being handled by the various employees of Breckinridge County. The County Treasurer provided invoices for a small number of expenditures which were paid by check by the County. However, the bulk of the expenditures charged to FEMA did not undergo a verification or approval process prior to payment. OMB Circular A-133 requires internal controls be established over compliance requirements that are material to the major program.

We recommend the Fiscal Court require internal controls for monitoring OMB Circular A-133 requirements be established and documented to reduce the risk of material non-compliance with OMB Circular A-133 compliance requirements.

County Judge/ Executive Maurice Lucas' Response: The Emergency Management Director will establish, monitor and document the OMB Circular A-133 requirements to reduce the risk of material non-compliance with OMB Circular A-133 compliance requirements. The County Treasurer will review and initial reports and supporting documentation when completed.

BRECKINRIDGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT
 (CONTINUED)**

2009-9 The Breckinridge County Fiscal Court Failed To Implement Internal Controls Over Federal Compliance Requirement- Program Income And Failed To Report Program Income To FEMA

Federal Program: CFDA 97.036
 Federal Agency: U.S. Department of Homeland Security
 Pass-through Agency: Department of Military Affairs
 Compliance Area: Program Income
 Questioned Costs: \$ 73,139

During testing of receipts, we noted receipts from a local company for wood chips. These wood chips were derived from debris removed from roadways after the January 2009 ice storm. The sale of these wood chips yielded income to the Fiscal Court in the amount of \$73,139. Federal compliance requirements define program income as gross income received that is directly generated by the federally funded project during the grant period. The Fiscal Court requested reimbursement from FEMA for costs of personnel who created the wood chips as well as for charges of equipment usage.

FEMA Disaster Assistance Policy 9525.12 states “Subgrantees must dispose of salvageable materials at a fair market value and the revenue must be cost shared with FEMA. The federal cost share in disposition and salvage revenue is the same as its participation in the original costs. Disasters often result in large amounts of debris that may have a market value. With exceptions noted in VII.C(2), revenue from debris must be used to reduce the project cost. Some of the materials that can be expected to be marketable are timber debris, mulched debris, and scrap metals.”

We contacted KyEMA (Department of Military Affairs) to determine if the program income had been reported. The program income earned had not been reported by Breckinridge County to KyEMA which is the local representation of FEMA. KyEMA is now aware of the amount of program income earned (\$73,139) and will offset the federal and state portion of this program income against the final payment that is due to Breckinridge County for their large project. The balance due to Breckinridge County after closeout by FEMA is approximately \$158,245 prior to any adjustments.

We recommend the Fiscal Court require internal controls for monitoring OMB Circular A-133 requirements be established and documented to reduce the risk of material non-compliance with OMB Circular A-133 compliance requirements.

County Judge/ Executive Maurice Lucas' Response: The Emergency Management Director will establish, monitor and document the OMB Circular A-133 requirements to reduce the risk of material non-compliance with OMB Circular A-133 compliance requirements. The County Treasurer will review and initial reports and supporting documentation when completed.

D. SUMMARY OF PRIOR YEAR FINDINGS

None.

**CERTIFICATE OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BRECKINRIDGE COUNTY FISCAL COURT

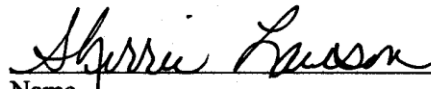
**For The Fiscal Year Ended
June 30, 2009**

Appendix A

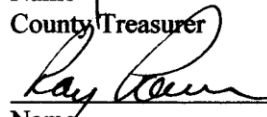
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Treasurer



Name
Former County Judge/Executive

